



# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

14 April 16, 2013

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

**Los Angeles County  
Board of Supervisors**

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Director

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Chief Medical Officer

**Christina Ghaly, M.D.**  
Deputy Director, Strategic Planning

April 16, 2013

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**REQUEST FOR DELEGATED AUTHORITY TO EXECUTE AGREEMENTS  
AND AMENDMENTS RELATED TO SUPPLEMENTAL MEDI-CAL  
MANAGED CARE PAYMENTS AND APPROVAL OF AN APPROPRIATION  
ADJUSTMENT FOR THE INTERGOVERNMENTAL TRANSFERS  
(ALL SUPERVISORIAL DISTRICTS  
(4 VOTES))**

**SUBJECT**

Request approval and delegation of authority to the Director of Health Services, or his designee, to execute agreements with the California Department of Health Care Services to make intergovernmental transfers, after approval of an appropriation adjustment, and to execute amendments to existing agreements with the Local Initiative Health Authority for Los Angeles County and Health Net of California related to supplemental managed care payments to the Department of Health Services for individuals enrolled in the Medi-Cal managed care program.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Delegate authority to the Director of Health Services (Director), or his designee, to make intergovernmental transfers (IGTs) to the California Department of Health Care Services (DHCS) and to execute related agreements, in the general form and format of Exhibit I, to provide the nonfederal share of supplemental Medi-Cal Base Rate Increase Payments to the Department of Health Services (DHS) by the Local Initiative Health Authority for Los Angeles County (L.A. Care) and Health Net of California (Health Net). The total amount shall not exceed \$200.0 million, for the combined periods of July 1, 2011 through September 30, 2012 and October 1,

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213)240-8101  
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[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

To ensure access to high-quality,  
patient-centered, cost-effective health  
care to Los Angeles County residents  
through direct services at DHS facilities  
and through collaboration with  
community and university partners.



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2012 through September 30, 2013.

2. Delegate authority to the Director, or his designee, to execute amendments to existing agreements related to Medi-Cal managed care with L.A. Care and Health Net, similar to Exhibits II and III, respectively, under which those organizations will pay DHS Seniors and Persons with Disabilities (SPD) Base Rate Increase Payments for the combined periods of July 1, 2011 through September 30, 2012 and October 1, 2012 through September 30, 2013.

3. Approve a Fiscal Year 2012-13 appropriation adjustment for DHS to increase appropriation authority for the IGTs to DHCS of \$178.0 million, as authorized under Welfare and Institutions Code Section 14182.15, fully offset with additional SPD Base Rate Increase Payments.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Approval of the first two recommendations will allow the Director, or his designee, to enter into the necessary agreements with DHCS, allowing DHS to forward IGTs to DHCS to provide the non-federal share of the SPD Medi-Cal Managed Care Rate (MMCR) payments to L.A. Care and Health Net, and also to amend existing agreements with L.A. Care and Health Net to pass the payments they receive on to DHS (known as SPD Base Rate Increase Payments). They are specifically authorized by the statute at Welfare & Institutions Codes section 14182.15. In order to comply with the State's requirements, the four IGT agreements (two for the service period July 1, 2011 to September 30, 2012, and two for the service period October 1, 2012 through September 30, 2013) will have retroactive effective dates so that they begin at the start of the service period.

Approval of the third recommendation will allow DHS to have sufficient appropriation authority to transfer the necessary IGTs to DHCS for the nonfederal share of SPD MMCR payments.

### **Implementation of Strategic Plan Goals**

The recommended actions support Goal 2, Fiscal Sustainability, of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

Approval of the recommended actions will permit DHS to make several separate IGTs to DHCS in a total amount not to exceed \$200.0 million for the nonfederal share of the SPD MMCR payments and receive back SPD Base Rate Increase Payments in a total amount not to exceed \$500.0 million from L.A. Care and Health Net. The SPD Base Rate Increase Payments must be used by DHS facilities to pay for health care services either in the year received or in future years; such payments may not be distributed to the County's general fund or used by other County entities.

At the end of Fiscal Year (FY) 2011-12, DHS set aside \$22.0 million in anticipation of these IGTs, prior to knowing the final value of the IGTs. The \$178.0 million appropriation adjustment will provide the necessary incremental appropriation authority to fund the revised IGT amounts for the periods July 1, 2011 through September 30, 2012 and October 1, 2012 through September 30, 2013.

These IGT payments to the State are necessary to implement the transition of the Medi-Cal Seniors

and Persons with Disabilities population from a fee-for-service (FFS) payment methodology to a managed care payment methodology. Accordingly, these IGT transactions represent the revenue shift from FFS to managed care and do not result in an overall increase in revenue to the Department.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

State law, Section 14182.15 of the Welfare and Institutions Code, authorizes public entities to transfer federally matchable funds to the State to be used solely as the nonfederal share of supplemental payments to managed care health plans for the provision of services to Medi-Cal beneficiaries. Through these supplemental funds, this law enables health plans, such as L.A. Care and Health Net, to compensate designated public hospitals, such as DHS hospitals and DHS freestanding clinics, in an amount sufficient to preserve and strengthen the availability and quality of services provided by public hospital systems. The IGT agreements with DHCS will require DHS to certify that the transferred funds qualify for federal financial participation and are not from impermissible sources, and the agreements with the health plans will require that the SPD Base Rate Increase Payments be retained by DHS and used for the provision of health care services.

Since 2008, the Board has authorized DHS to execute similar agreements with DHCS and with L.A. Care and Health Net, although they had different statutory bases.

DHCS has imposed a short time frame for the completion of the payments, as some payments relate to services that were provided beginning July 1, 2011. To meet that time frame and to expedite receipt of these SPD Base Rate Increase Payments, DHS is requesting a delegation of authority from the Board to execute the DHCS and health plan agreements.

The Centers for Medicare and Medicaid Services (CMS) must approve all Medi-Cal managed care rate increases. If CMS requires material changes to the aforementioned agreements and amendments, the Department will return to the Board to request a revised delegation of authority. Otherwise, we will notify the Board once the agreements are executed.

### **CONTRACTING PROCESS**

Advertising on the County's Online Website is not applicable.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There is no impact on current services as a result of this authorization.

The Honorable Board of Supervisors

4/16/2013

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.

Director

MHK:AW:hr

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

**INTERGOVERNMENTAL AGREEMENT REGARDING  
TRANSFER OF PUBLIC FUNDS**

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("DHCS") and the COUNTY OF LOS ANGELES (the "Governmental Funding Entity") with respect to the matters set forth below.

**RECITALS**

A. This Agreement is made pursuant to the authority of Section 14182.15 of Chapter 7 of Part 3 of Division 9 of the Welfare & Institutions Code.

B. The Local Initiative Health Authority for Los Angeles County doing business as L.A. Care Health Plan ("L.A. Care") is a local governmental authority formed pursuant to Welfare and Institutions Code Sections 14087.38(b) and 14087.9605. Health Net Community Solutions, Inc. ("Health Net") is a health plan licensed pursuant to Health and Safety Code section 1379. L.A. Care and Health Net are parties to Medi-Cal managed care contracts with DHCS, entered into pursuant to Welfare and Institutions Code Section 14087.3, under which L.A. Care and Health Net arrange and pay for the provision of covered Medi-Cal health care services to eligible Medi-Cal members residing in the County.

THEREFORE, the parties agree as follows:

**AGREEMENT**

1. Transfer of Public Funds

1.1 The Governmental Funding Entity shall transfer funds to up to a maximum total amount of \_\_\_\_\_, to be used solely as a portion of the nonfederal share of actuarially sound Medi-Cal managed care capitation rates for L.A. Care and Health Net for the period July 1, 2011 through September 30, 2012 as described in paragraph 2.2 below. The funds

shall be transferred in accordance with a mutually agreed upon schedule between the Governmental Funding Entity and DHCS, in the amounts and components specified therein.

1.2 The Governmental Funding Entity shall certify that the funds transferred qualify for federal financial participation pursuant to 42 C.F.R. part 433 subpart B, and are not derived from impermissible sources such as recycled Medicaid payments, federal money excluded from use as State match, impermissible taxes, and non-bona fide provider-related donations. For transferring units of government that are also direct service providers, impermissible sources do not include patient care or other revenue received from programs such as Medicare or Medicaid to the extent that the program revenue is not obligated to the State as the source of funding.

2. Acceptance and Use of Transferred Funds by DHCS

2.1 DHCS shall exercise its authority under Section 14182.15 of the Welfare and Institutions Code to accept funds transferred by the Governmental Funding Entity pursuant to this Agreement as intergovernmental transfers (IGTs), to use for the purpose set forth in paragraph 2.2 below.

2.2 The funds transferred by the Governmental Funding Entity pursuant to this Agreement shall be used to fund a portion of the nonfederal share of the component of Medi-Cal managed care actuarially sound capitation rates pursuant to paragraph (1) of subdivision (d) of Section 14182.15 of the Welfare and Institutions Code and shall be paid, together with the related federal financial participation, by DHCS to L.A. Care and Health Net as part of L.A. Care and Health Net's capitation rates for the period July 1, 2011 through September 30, 2012. To the extent that DHCS has made and documented such expenditures, or portion thereof, prior to the necessary funds being transferred by the Governmental Funding Entity, the appropriate amount

of subsequently transferred funds shall be deemed to have been used in accordance with the requirements of this paragraph 2.2. The capitation rate amounts paid under this paragraph shall be used for payments related to Medi-Cal services rendered to Medi-Cal beneficiaries. The rate amounts paid under this paragraph shall be in addition to, and shall not replace or supplant, all other amounts paid or payable by DHCS or other State agencies to L.A. Care and Health Net.

2.3 DHCS shall seek federal financial participation for the rate amounts specified in paragraph 2.2 to the full extent permitted by federal law.

2.4 The parties acknowledge that State DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services (CMS) prior to the payment of any rate amounts pursuant to paragraph 2.2.

2.5 The parties agree that none of these funds, from either Governmental Funding Entity or federal matching funds will be recycled back to the Governmental Funding Entity's general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement and their provider agreement constitute patient care revenues.

2.6 Within One Hundred Twenty (120) calendar days of the execution of this Agreement, and every quarter as applicable thereafter, DHCS shall advise the Governmental Funding Entity and L.A. Care and Health Net of the amount of the Medi-Cal managed care capitation rate amounts that DHCS paid to L.A. Care and Health Net during the applicable rate period specified in paragraph 2.2 involving any funding under the terms of this Agreement.

2.7 If any portion of the funds transferred by the Governmental Funding Entity pursuant to this Agreement is not expended by DHCS for the specified rate amounts under paragraph 2.2, DHCS shall return the unexpended funds to the Governmental Funding Entity.

3. Amendments

3.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties.

3.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in paragraph 2 of this Agreement.

4. Notices. Any and all notices required, permitted or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or by United States first class, certified or registered mail with postage prepaid, addressed to the other party at the address set forth below:

To the Governmental Funding Entity:

Allan Wecker, Chief Financial Officer  
County of Los Angeles  
Department of Health Services  
313 North Figueroa Street, Room 907  
Los Angeles, California 90012

With copies to:

Anita D. Lee, Principal Deputy County Counsel  
County of Los Angeles  
Office of the County Counsel  
648 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

To DHCS:

Sandra Dixon  
California Department of Health Care Services  
Capitated Rates Development Division  
1501 Capitol Ave., Suite 71-4002  
P.O. Box 997413  
MS 4413  
Sacramento, CA 95899-7413

5. Other Provisions

5.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal rate amounts for L.A. Care and Health Net described in paragraph 2.2 that are funded by the Governmental Funding Entity pursuant to paragraph (1) of subdivision (d) of Section 14182.15 of the Welfare and Institutions Code, and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements regarding such transferred funds between the Governmental Funding Entity and DHCS. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements already exist between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

5.2 The non-enforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.

5.3 Paragraph 2 of this Agreement shall survive the expiration or termination of this Agreement.

5.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals; accordingly, there shall be no third party beneficiary of this Agreement.

5.5 Time is of the essence in this Agreement.

5.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

6. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify the DHCS' powers, authorities, and duties under federal and state law and regulations.

7. Approval. This Agreement is of no force and effect until signed by the parties.

8. Term. This Agreement shall be effective as of July 1, 2011 and shall expire as of September 30, 2013 unless terminated earlier by mutual agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

COUNTY OF LOS ANGELES

By: \_\_\_\_\_

Date: \_\_\_\_\_

Mitchell H. Katz, M.D., Director  
Department of Health Services

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: \_\_\_\_\_

Date: \_\_\_\_\_

Stuart Busby, Chief,  
Capitated Rates Development Division

HEALTH PLAN-PROVIDER AGREEMENT

DHS HOSPITAL SERVICES AGREEMENT FOR MEDI-CAL

AMENDMENT No. 6

This Amendment is made this \_\_\_\_ day of \_\_\_\_\_, by and between the Local Initiative Health Authority for Los Angeles County, doing business as L.A. Care Health Plan, a local government agency hereinafter referred to as "PLAN", and County of Los Angeles Department of Health Services on behalf of its owned and operated hospitals, hereinafter referred to as "PROVIDER".

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into an Agreement effective May 1, 2011;

WHEREAS, Section 6.2 of such Agreement provides for amending such Agreement;

WHEREAS, PLAN has been designated as Los Angeles County's locally created health care service plan by the Los Angeles County Board of Supervisors. It is a public entity, created pursuant to Welfare and Institutions Code Sections 14087.38(b) and 14087.9605 and Los Angeles County resolution and ordinance. PLAN is licensed by the Department of Managed Health Care as a health care service plan under the California KnoxKeene Act (Health and Safety Code Sections 1340 et seq.). In the body of the Agreement, PLAN is known as "Healthplan;" however, for purposes of this amendment it shall be designated as described above.

WHEREAS, PROVIDER operates licensed general acute care hospitals which provide care to Medi-Cal beneficiaries and other residents of Los Angeles County. In the body of the Agreement, Provider is referred to as "DHS"; however, for purposes of this amendment, it shall be designated as described above. Further, for purposes sections 1.F of this amendment, PROVIDER shall refer to the hospitals owned by Provider.

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for base rate increases to PROVIDER with respect to services for Medi-Cal SPD enrollees of PLAN as a result of Medi-Cal managed care capitation rate amounts to PLAN funded in part by intergovernmental transfers ("IGTs"), pursuant to Section 14182.15 of the Welfare and Institutions Code, from the County of Los Angeles to the California Department of Health Care Services ("State DHCS") to help assure the availability of Medi-Cal health care services to Medi-Cal beneficiaries, including seniors and persons with disabilities ("SPD").

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

Section 7 of the Agreement is added to the Agreement and reads as follows:

## **7. SPD MEDI-CAL MANAGED CARE BASE RATE INCREASES**

### **1. SPD Base Rate Increases to PROVIDER**

#### **A. Payment**

Pursuant to subdivision (c) of Section 14182.15 of the Welfare and Institutions Code, should PLAN receive any SPD Medi-Cal Managed Care Rate Payments ("SPD MMCR Payments") from State DHCS, the nonfederal share of which is funded in any part by the PROVIDER specifically pursuant to the Intergovernmental Agreements Regarding Transfer of Public Funds, \_\_\_\_\_ ("Intergovernmental Agreement") effective for the period July 1, 2011 through September 30, 2012, all of the provisions below shall apply.

(1) PLAN shall pay to PROVIDER, for services provided during the term of this Amendment, the rates for services set forth in Exhibit D and all of its subparts of this Agreement, which shall be no less than the rates in effect as of July 1, 2011, and based on final rates actually received by Plan from DHCS.

(2) PLAN shall pay to PROVIDER as "SPD Base Rate Increase Payments," a maximum amount of \_\_\_\_\_ from the SPD MMCR Payments (net of the Health Plan Retention described in paragraph 1.B(1)) received from State DHCS, in accordance with paragraph 1.E below regarding the form and timing of Payments for services provided by the PROVIDER to Medi-Cal beneficiaries. Notwithstanding the DOFR applicable to this Agreement, and subject to the requirements in paragraph 1.F below, PROVIDER agrees to assign the funds received pursuant to this Amendment among the services set forth below in accordance with the proportions or amounts set by PLAN. These proportions or amounts will be determined by PLAN to represent a reasonable allocation of funds among the rendering providers. The service categories are:

- (a) Inpatient and Outpatient Facility Services
- (b) Physician/Practitioner Services
- (c) Freestanding Clinic Facility Services

Notwithstanding the foregoing, payments to PROVIDER and other providers by PLAN from SPD MMCR Payments (net of Health Plan Retention) for the relevant period shall be adjusted as appropriate to ensure that all such SPD MMCR Payments received by PLAN are distributed, and in no case shall exceed the total amount of SPD MMCR Payments. PLAN payments shall be based on actual SPD MMCR Payments included in the PLAN's monthly capitation payment or a lump-sum payment received from DHCS. SPD Base Rate Increase Payments paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

**B. Health Plan Retention****(1) Managed Care Organizations Tax**

The PLAN shall be responsible for any Managed Care Organization ("MCO") tax due pursuant to the Revenue and Taxation Code Section 12201 relating to any SPD MMCR Payments related to the period ending September 30, 2012. If the PLAN receives any capitation rate increases described in paragraph (2) of subdivision (c) of Section 14182.15 of the Welfare and Institutions Code for which MCO taxes apply based on the SPD MMCR Payments, PLAN may retain an amount equal to the amount of such MCO tax that PLAN is required to pay to the State, and shall pay PROVIDER the SPD Base Rate Increase Payments (net of Health Plan Retention) from the remaining amount of the capitation rate increases as specified in paragraph 1.A consistent with Section 14182.15.

(2) PLAN will not retain any other portion of the SPD MMCR Payments received from the State DHCS other than those specified above.

**C. Conditions for Receiving SPD Base Rate Increase Payments**

As a condition for receiving SPD Base Rate Increase Payments, PROVIDER shall,

1. Maintain and make available to PLAN's Medi-Cal enrollees until at least October 1, 2013:
  - (a) Level 1 Trauma Centers at LAC+USC Medical Center and Harbor/UCLA Medical Center;
  - (b) a basic emergency room at Olive View Medical Center
  - (c) a burn unit at LAC+USC Medical Center.
2. PROVIDER will not exercise its rights to terminate the Hospital Services Agreement or the Participating Provider Agreement before October 1, 2013.

**D. Schedule and Notice of Transfer of Non-Federal Funds**

PROVIDER shall notify PLAN within five (5) days of the date of the transfer of funds to State DHCS pursuant to the Intergovernmental Agreements.

**E. Form and Timing of Payments**

PLAN agrees to pay SPD Base Rate Increase Payments to PROVIDER in the following form and according to the following schedule:

- (1) PLAN agrees to pay the SPD Base Rate Increase Payments to PROVIDER using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer).

(2) PLAN will pay the SPD Base Rate Increase Payments to PROVIDER no later than thirty (30) calendar days after receipt of the SPD MMCR Payments from State DHCS.

**F. Consideration**

(1) As consideration for the SPD Base Rate Increase Payments, PROVIDER shall use the SPD Base Rate Increase Payments for the following purposes and shall treat the SPD Base Rate Increase Payments in the following manner:

(a) The SPD Base Rate Increase Payments shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER during the State fiscal year to which the SPD Base Rate Increase Payments apply.

(b) To the extent that total payments received by PROVIDER for any State fiscal year under this Amendment exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining SPD Base Rate Increase Payment amounts shall be retained by PROVIDER to be expended for health care services. Retained SPD Base Rate Increase Payment amounts may be used by the PROVIDER in either the State fiscal year received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the retained SPD Base Rate Increase Payments are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on SPD Base Rate Increase Payments funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of SPD Base Rate Increase Payments received, but not used. These retained PROVIDER funds may be commingled with other County funds for cash management purposes provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either from the County of Los Angeles or federal matching funds will be recycled back to the County general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement or Amendment constitute patient care revenues.

**G. PLAN's Oversight Responsibilities**

PLAN's oversight responsibilities regarding PROVIDER's use of the SPD Base Rate Increase Payments shall be limited as described in this paragraph. PLAN shall request, within thirty (30) calendar days after the end of each State fiscal year in which SPD Base Rate Increase Payments were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph 1.F above. In each instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

## **H. Cooperation Among Parties**

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the SPD Base Rate Increase Payments, PROVIDER and PLAN agree to work together in all respects to support and preserve the SPD Base Rate Increase Payments to the full extent possible on behalf of the safety net in Los Angeles County.

## **I. Reconciliation**

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which SPD Base Rate Increase Payments were made to PROVIDER, PLAN shall perform a reconciliation of the SPD Base Rate Increase Payments transmitted to the PROVIDER during the preceding fiscal year to ensure that the supporting amount of SPD MMCRs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of SPD Base Rate Increase Payments made in error to PROVIDER within thirty (30) calendar days after receipt from PLAN of a written notice of the overpayment error, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Section 6.3.1 of the Agreement. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth section 6.4 of the Agreement. PLAN agrees to transmit to the PROVIDER any underpayment of SPD Base Rate Increase Payments within thirty (30) calendar days of PLAN's identification of such underpayment.

## **J. Indemnification**

(1) PROVIDER shall indemnify and hold PLAN harmless against any losses, claims, demands, liabilities, court costs, judgments and expenses, imposed by a court or otherwise incurred by PLAN after the execution date of this Agreement as a result of PLAN's receipt of SPD MMCR payments or payment of SPD Base Rate Increase Payments, including but not limited to the following circumstances:

(a) In the event that State DHCS, the Department of Health and Human Services or any other federal or state agency recoups, offsets, or otherwise withholds any monies from or fails to provide any monies to PLAN, or PLAN is denied any monies to which it otherwise would have been entitled, for any reason relating to the Medi-Cal managed care capitation rate range increases arising from the Intergovernmental Agreement as such increases flow through the Medi-Cal Agreement between PLAN and the State and this Agreement, including but not limited to (i) State DHCS' use of SPD MMCR payments or SPD Base Rate Increase Payments to supplant or replace other amount in violation of the restrictions in Section 2.2 of the Intergovernmental Agreement; (ii) the failure of the SPD MMCR payments to qualify in whole or part for federal participation pursuant to 42 C.F.R. part 433, subpart B; or (iii) overpayment of SPD MMCR payments to PLAN by State DHCS, PLAN shall have a right to immediately recoup, offset or withhold any and all such amounts from payments otherwise due to PROVIDER. Recovery by PLAN pursuant to this section shall include, but not be limited to, reduction in future SPD Base Rate Increase Payments paid to PROVIDER in an amount equal to the amount of SPD MMCR payments recovered from PLAN, or by reduction of any other amounts owed by PLAN to PROVIDER;

(b) PLAN shall pursue an appeal, a lawsuit, or any other available legal action to challenge any recoupment by State DHCS, the Department of Health and Human Services, or any other federal or state agency, that is not required by law, unless after consultation with PROVIDER and with good cause, PLAN determines that it is not in the best interest of PLAN and/or PROVIDER to do so;

(2) At PLAN's discretion, PROVIDER shall either provide or arrange for legal representation on PLAN's behalf or PLAN shall arrange for its own representation and be entitled to reasonable attorney's fees and costs from PROVIDER for such representation, in addition to any and all other relief to which PLAN may be entitled, including, but not limited to, the following circumstances:

(a) If any action at law, suit in equity, arbitration, or administrative action is brought against PLAN by State DHCS, the Department of Health and Human Services, any other federal or state agency or other individual or organization to: (i) enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments; or (ii) recoup, offset, or otherwise withhold any monies from PLAN relating to the SPD MMCR payments or SPD Base Rate Increase Payments; or

(b) If PLAN brings any appeal, action at law, suit in equity, arbitration or administrative action against the State DHCS, the Department of Health and Human Services or any other federal or state agency to (i) enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments; or (ii) in response to an action described in subparagraph I(1)(a) or subparagraph (2)(a) above:

(3) If PLAN prevails in any appeal, action at law, suit in equity, arbitration, or administrative action against PROVIDER to enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments or to recoup, offset, or otherwise withhold any monies relating to the SPD MMCR payments or SPD Base Rate Increase Payments, PLAN shall be entitled to reasonable attorney's fees and costs from PROVIDER; and

(4) In the event that PLAN believes that it is subject to any losses, claims, demands, liabilities, court costs, judgments or obligations to third parties which arise before the execution of this Amendment as a direct result of the parties' intention to enter into this Amendment or the terms of this Amendment, PLAN shall promptly notify PROVIDER of such belief. The parties will then negotiate, in good faith, the extent to which PROVIDER will provide indemnification. It is the parties' intention that PLAN not be substantially economically harmed as a result of its willingness to enter into this Amendment.

## **2. Term**

The term of this Amendment shall commence on July 1, 2011 and shall terminate on September 30, 2014.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

**SIGNATURES**

LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY, d.b.a. L.A.  
CARE HEALTH PLAN

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Howard A. Kahn  
Chief Executive Officer

COUNTY OF LOS ANGELES

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Mitchell H. Katz, M.D.  
Director, Department of Health Services

HEALTH PLAN-PROVIDER AGREEMENT

CAPITATION AGREEMENT FOR THE PROVISION OF HEALTH CARE SERVICES BY  
COUNTY AMENDMENT

Amendment No. 7

This Amendment is made this \_\_\_\_ day of \_\_\_\_\_, by and between Health Net of California, Inc. hereinafter referred to as "PLAN", and County of Los Angeles on behalf of its Department of Health Services, hereinafter referred to as "PROVIDER".

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into an Agreement effective February 16, 1999;

WHEREAS, Section 37 of such Agreement provides for amending such Agreement;

WHEREAS, PLAN arranges for the provision of health services to Medi-Cal enrollees under the two plan model addressed in the regulations at 22 Cal. Code Regs. Sections 53840 et seq. The Agreement between PLAN and PROVIDER is known as Capitation Agreement for Provision of Health Care Services and is further identified as Agreement No. H.210040. Although in that Agreement PLAN is referred to as "Contractor," for purposes of this Amendment, it shall be referred to by the designation listed above. For purposes of this Amendment, the payments referred to below as "SPD MMCR Payments" do not include PLAN's customary, general capitation payments from DHCS, but are in addition to such DHCS payments to PLAN.

WHEREAS, PROVIDER operates licensed general acute care hospitals and several freestanding ambulatory clinics which provide care to Medi-Cal beneficiaries and other residents of Los Angeles County. For purposes sections 1.F of this Amendment, PROVIDER shall refer to the hospitals owned by PROVIDER.

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for base rate increases to PROVIDER with respect to services for Medi-Cal SPD enrollees of PLAN as a result of Medi-Cal managed care capitation rate amounts to PLAN funded in part by intergovernmental transfers ("IGTs"), pursuant to Section 14182.15 of the Welfare and Institutions Code, from the County of Los Angeles to the California Department of Health Care Services ("State DHCS") to help assure the availability of Medi-Cal health care services to Medi-Cal beneficiaries, including seniors and persons with disabilities ("SPD").

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

The following paragraph 45, SPD Medi-Cal Managed Care Base Rate Increases shall be added:

**45. SPD MEDI-CAL MANAGED CARE BASE RATE INCREASES**

**1. SPD Base Rate Increases to PROVIDER**

**A. Payment**

Pursuant to subdivision (c) of Section 14182.15 of the Welfare and Institutions Code, should PLAN receive any SPD Medi-Cal Managed Care Rate Payments ("SPD MMCR Payments") from State DHCS, the nonfederal share of which is funded in any part by the PROVIDER specifically pursuant to the Intergovernmental Agreements Regarding Transfer of Public Funds, \_\_\_\_\_ ("Intergovernmental Agreements") effective for the period October 1, 2012 through September 30, 2013, all of the provisions below shall apply.

(1) PLAN shall pay to PROVIDER, for services provided during the term of this Amendment, the rates for services pursuant to the Agreement, or such other document as currently being relied on by the parties, which shall be no less than the rates in effect as of July 1, 2011.

(2) PLAN shall pay to PROVIDER as "SPD Base Rate Increase Payments," a maximum amount of \_\_\_\_\_ from the SPD MMCR Payments (net of the Health Plan Retention described in paragraph 1.B(1) received from State DHCS, in accordance with paragraph 1.E below regarding the form and timing of Payments for services provided by the PROVIDER to Medi-Cal beneficiaries. Subject to the requirements in paragraph 1.F below, PROVIDER agrees to assign the funds received pursuant to this Amendment No. 7 between Inpatient and Outpatient Hospital Services and Physician/Practitioner Services in accordance with the proportions set by PLAN or if PLAN does not so designate, as set by PROVIDER. These proportions will be established to represent a reasonable allocation based on the needs of these categories of services and the relative value of the services each provides.

(3) Notwithstanding the foregoing, payments to PROVIDER and other providers by PLAN from SPD MMCR Payments (net of Health Plan Retention) for the relevant period shall be adjusted as appropriate to ensure that all such SPD MMCR Payments received by PLAN are distributed, and in no case shall exceed the total amount of SPD MMCR Payments. PLAN payments shall be based on actual SPD MMCR Payments included in the PLAN's monthly capitation payment or a lump-sum payment received from DHCS. SPD Base Rate Increase Payments paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

**B. Health Plan Retention**

**(1) Managed Care Organizations Tax**

The PLAN shall be responsible for any Managed Care Organization ("MCO") tax due pursuant to the Revenue and Taxation Code Section 12201 relating to any SPD MMCR Payments related to the period ending September 30, 2013. If the PLAN receives any capitation rate increases described in paragraph (2) of subdivision (c) of Section 14182.15 of the

Welfare and Institutions Code for which MCO taxes apply based on the SPD MMCR Payments, PLAN may retain an amount equal to the amount of such MCO tax that PLAN is required to pay to the State, and shall pay PROVIDER the SPD Base Rate Increase Payments (net of Health Plan Retention) from the remaining amount of the capitation rate increases as specified in paragraph 1.A consistent with Section 14182.15.

(2) PLAN will not retain any other portion of the SPD MMCR Payments received from the State DHCS other than those specified above.

**C. Conditions for Receiving SPD Base Rate Increase Payments**

As a condition for receiving SPD Base Rate Increase Payments, PROVIDER shall,

1. Maintain and make available to PLAN's Medi-Cal enrollees until at least December 31, 2013:

- (a) Level 1 Trauma Centers at LAC+USC Medical Center and Harbor/UCLA Medical Center;
- (b) a basic emergency room at Olive View Medical Center; and
- (c) a burn unit at LAC+USC Medical Center.

**D. Schedule and Notice of Transfer of Non-Federal Funds**

PROVIDER shall notify PLAN within five (5) days of the date of the transfer of funds to State DHCS pursuant to the Intergovernmental Agreements.

**E. Form and Timing of Payments**

PLAN agrees to pay SPD Base Rate Increase Payments to PROVIDER in the following form and according to the following schedule:

- (1) PLAN agrees to pay the SPD Base Rate Increase Payments to PROVIDER using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer).
- (2) PLAN will pay the SPD Base Rate Increase Payments to PROVIDER no later than thirty (30) calendar days after receipt of the SPD MMCR Payments from State DHCS.

**F. Consideration**

(1) As consideration for the SPD Base Rate Increase Payments, PROVIDER shall use the SPD Base Rate Increase Payments for the following purposes and shall treat the SPD Base Rate Increase Payments in the following manner:

(a) The SPD Base Rate Increase Payments shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER during the State fiscal year to which the SPD Base Rate Increase Payments apply.

(b) To the extent that total payments received by PROVIDER for any State fiscal year under this Amendment exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining SPD Base Rate Increase Payment amounts shall be retained by PROVIDER to be expended for health care services. Retained SPD Base Rate Increase Payment amounts may be used by the PROVIDER in either the State fiscal year received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the retained SPD Base Rate Increase Payments are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on SPD Base Rate Increase Payments funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of SPD Base Rate Increase Payments received, but not used. These retained PROVIDER funds may be commingled with other County funds for cash management purposes provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either from the County of Los Angeles or federal matching funds will be recycled back to the County general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement or Amendment constitute patient care revenues.

**G. PLAN's Oversight Responsibilities**

PLAN's oversight responsibilities regarding PROVIDER's use of the SPD Base Rate Increase Payments shall be limited as described in this paragraph. PLAN shall request, within thirty (30) calendar days after the end of each State fiscal year in which SPD Base Rate Increase Payments were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph 1.F above. In each instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

**H. Cooperation Among Parties**

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the SPD Base Rate Increase Payments, PROVIDER and PLAN agree to work together in all respects to support and preserve the SPD Base Rate Increase Payments to the full extent possible on behalf of the safety net in Los Angeles County.

**I. Reconciliation**

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which SPD Base Rate Increase Payments were made to PROVIDER, PLAN may perform a reconciliation of the SPD Base Rate Increase Payments transmitted to the PROVIDER

during the preceding fiscal year to ensure that the supporting amount of SPD MMCRs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of SPD Base Rate Increase Payments made in error to PROVIDER within thirty (30) calendar days after receipt from PLAN of a written notice of the overpayment error, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Paragraph 21 of the Agreement. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth below. PLAN agrees to transmit to the PROVIDER any underpayment of SPD Base Rate Increase Payments within thirty (30) calendar days of PLAN's identification of such underpayment.

#### **J. Indemnification**

(1) Anything to the contrary contained in paragraph 18 of the Agreement notwithstanding, PROVIDER shall indemnify and hold PLAN harmless against any losses, claims, demands, liabilities, court costs, judgments and expenses, imposed by a court or otherwise incurred by PLAN after the execution date of this Agreement as a result of PLAN's receipt of SPD MMCR payments or payment of SPD Base Rate Increase Payments, including but not limited to the following circumstances:

(a) In the event that State DHCS, the Department of Health and Human Services or any other federal or state agency recoups, offsets, or otherwise withholds any monies from or fails to provide any monies to PLAN, or PLAN is denied any monies to which it otherwise would have been entitled, for any reason relating to the Medi-Cal managed care capitation rate range increases arising from the Intergovernmental Agreement as such increases flow through the Medi-Cal Agreement between PLAN and the State and this Agreement, including but not limited to (i) State DHCS' use of SPD MMCR payments or SPD Base Rate Increase Payments to supplant or replace other amounts in violation of the restrictions in Section 2.2 of the Intergovernmental Agreement; (ii) the failure of the SPD MMCR payments to qualify in whole or part for federal participation pursuant to 42 C.F.R. part 433, subpart B; or (iii) overpayment of SPD MMCR payments to PLAN by State DHCS, PLAN shall have a right to immediately recoup, offset or withhold any and all such amounts from payments otherwise due to PROVIDER. Recovery by PLAN pursuant to this section shall include, but not be limited to, reduction in future SPD Base Rate Increase Payments paid to PROVIDER in an amount equal to the amount of SPD MMCR payments recovered from PLAN, or by reduction of any other amounts owed by PLAN to PROVIDER;

(b) PLAN shall pursue an appeal, a lawsuit, or any other available legal action to challenge any recoupment by State DHCS, the Department of Health and Human Services, or any other federal or state agency, that is not required by law, unless after consultation with PROVIDER and with good cause, PLAN determines that it is not in the best interest of PLAN and/or PROVIDER to do so;

(2) At PLAN's discretion, PROVIDER shall either provide or arrange for legal representation on PLAN's behalf or PLAN shall arrange for its own representation and be entitled to reasonable attorney's fees and costs from PROVIDER for such representation, in

addition to any and all other relief to which PLAN may be entitled, including, but not limited to, the following circumstances:

(a) If any action at law, suit in equity, arbitration, or administrative action is brought against PLAN by State DHCS, the Department of Health and Human Services, any other federal or state agency or other individual or organization to: (i) enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments; or (ii) recoup, offset, or otherwise withhold any monies from PLAN relating to the SPD MMCR payments or SPD Base Rate Increase Payments; or

(b) If PLAN brings any appeal, action at law, suit in equity, arbitration or administrative action against the State DHCS, the Department of Health and Human Services or any other federal or state agency to (i) enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments; or (ii) in response to an action described in subparagraph 1.J(1)(a) or subparagraph 1.J (2)(a) above:

(3) If PLAN prevails in any appeal, action at law, suit in equity, arbitration, or administrative action against PROVIDER to enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments or to recoup, offset, or otherwise withhold any monies relating to the SPD MMCR payments or SPD Base Rate Increase Payments, PLAN shall be entitled to reasonable attorney's fees and costs from PROVIDER; and

(4) In the event that PLAN believes that it is subject to any losses, claims, demands, liabilities, court costs, judgments or obligations to third parties which arise before the execution of this Amendment as a direct result of the parties' intention to enter into this Amendment or the terms of this Amendment, PLAN shall promptly notify PROVIDER of such belief. The parties will then negotiate, in good faith, the extent to which PROVIDER will provide indemnification. It is the parties' intention that PLAN not be substantially economically harmed as a result of its willingness to enter into this Amendment.

## **2. Term**

The term of this Amendment shall commence on July 1, 2011 and shall terminate on September 30, 2014.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

**SIGNATURES**

HEALTH NET OF CALIFORNIA, INC.

By: \_\_\_\_\_ Date: \_\_\_\_\_  
David J. Friedman  
V.P. State Health Programs

COUNTY OF LOS ANGELES

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Mitchell H. Katz, M.D.  
Director, Department of Health Services

COUNTY OF LOS ANGELES

## REQUEST FOR APPROPRIATION ADJUSTMENT

DEPT'S.  
NO.

DEPARTMENT OF HEALTH SERVICES

April 16, 2013

## AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

## ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2012-13

4 - VOTES

SOURCESUSES

BA Detail - See Attachment Page 1-1


BA Detail - See Attachment Page 1-1

SOURCES TOTAL: \$ 178,000,000

USES TOTAL: \$ 178,000,000

JUSTIFICATION

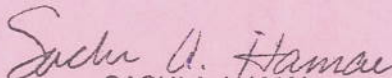
This appropriation adjustment reflects an increase in Intergovernmental Transfer and its associated revenue for the Seniors and Persons with Disabilities (SPD) program.

ADOPTED  
BOARD OF SUPERVISORS
  
 AUTHORIZED SIGNATURE Mela Guerrero, Controller

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

14

APR 16 2013

  
 SACHI A. HAMAI  
 EXECUTIVE OFFICER
REFERRED TO THE CHIEF  
EXECUTIVE OFFICER FOR --☐ ACTION☒ RECOMMENDATION

AUDITOR-CONTROLLER

BY



B.A. NO. 189

April 01

20 13

☒ APPROVED AS REQUESTED☐ APPROVED AS REVISED

CHIEF EXECUTIVE OFFICER

BY



April 1,

20 13

SEND 6 COPIES TO THE AUDITOR-CONTROLLER

DEPARTMENT OF HEALTH SERVICES  
MID-YEAR BUDGET ADJUSTMENT  
FISCAL YEAR 2012-13

ATTACHMENT I

4-VOTE

SOURCES:

LAC+USC HEALTHCARE NETWORK ENTERPRISE FUND  
MN4-HG-92-943P-60010  
MEDI-CAL MANAGED CARE  
INCREASE REVENUE \$ 81,500,000

METROCARE NETWORK ENTERPRISE FUND  
MN1-HH-92-943P-60020  
MEDI-CAL MANAGED CARE  
INCREASE REVENUE 41,100,000

RANCHO LOS AMIGOS NATIONAL REHAB. CENTER ENTERPRISE FUND  
MN7-HR-92-943P-60040  
MEDI-CAL MANAGED CARE  
INCREASE REVENUE 33,500,000

VALLEYCARE NETWORK ENTERPRISE FUND  
MN3-HO-92-943P-60050  
MEDI-CAL MANAGED CARE  
INCREASE REVENUE 21,900,000

USES:

LAC+USC HEALTHCARE NETWORK ENTERPRISE FUND  
MN4-HG-5500-60010  
OTHER CHARGES  
INCREASE APPROPRIATION \$ 81,500,000

METROCARE NETWORK ENTERPRISE FUND  
MN1-HH-5500-60020  
OTHER CHARGES  
INCREASE APPROPRIATION 41,100,000

RANCHO LOS AMIGOS NATIONAL REHAB. CENTER ENTERPRISE FUND  
MN7-HR-5500-60040  
OTHER CHARGES  
INCREASE APPROPRIATION 33,500,000

VALLEYCARE NETWORK ENTERPRISE FUND  
MN3-HO-5500-60050  
OTHER CHARGES  
INCREASE APPROPRIATION 21,900,000

Total \$ 178,000,000

Total \$ 178,000,000

ADOPTED  
BOARD OF SUPERVISORS

Noted & Approved:

14

APR 16 2013

  
Mela Guerrero, Contoller  
Department of Health Services

  
SACHI A. HAMAI  
EXECUTIVE OFFICER

BA # 189 Karen Shikama  
for Connie Yee 4/1/13